# Linking Youth Savings and Entrepreneurship

## □ □ A White Paper □ □

By Kim Pate

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## EXECUTIVE SUMMARY

Two of the most important strategies for youth asset development are savings and entrepreneurship. Youth savings programs encourage and promote positive savings behavior. Youth entrepreneurship programs help low-income youth learn to become entrepreneurs while at the same time supporting themselves and contributing financially to their family. Both strategies educate youth about financial matters and provide them with a progressive series of activities and experiences purposefully designed to help them become more successful adults.

CFED and its partners are conducting the Savings for Education, Entrepreneurship, and Downpayment (SEED) Initiative, a 10-year national policy, practice and research endeavor to develop, test and promote matched savings accounts and financial education for children and youth. The initiative seeks to set the stage for universal, progressive American policy for asset building among children, youth, and families. Twelve community partners[1] are developing and testing 1,380 accounts and engaging different age cohorts, savings incentives, financial education approaches and financial institutions.

REAL (Rural Entrepreneurship through Action Learning) Entrepreneurship is CFED's entrepreneurship education program. It was started as an experiment in 1979 to see if high schools could be economic development engines in rural communities. That was the beginning of the REAL approach to using school-based enterprises to teach youth entrepreneurship while meeting community needs at the same time. Since then, REAL has expanded K-8 schools, community colleges and universities, afterschool programs, youth programs, and summer camps and the range of venues continue to grow each year. REAL works with member organizations in ten states and in Thailand[2].

This paper provides an initial overview of SEED children's savings accounts and REAL Entrepreneurship youth entrepreneurship education. After the initial overview, this White Paper outlines the rationale for linking these two asset-building approaches. Youth savings and entrepreneurship are strategies that share common goals and methodologies. They both support the accumulation of human and financial assets by the next generation and incorporate financial education and activities to help children and youth make sound financial decisions. Currently, youth savings and entrepreneurship are loosely joined, as some children's savings programs are connected to school- and community-based enterprises and some youth entrepreneurship education programs offer savings opportunities. However, despite potential synergies between youth savings and entrepreneurship programs, relatively little has been done by either practitioners or researchers to explicitly link these strategies.

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[1] Beyond Housing, St. Louis, MO; Boys and Girls Clubs' of Delaware, Wilmington, DE; Cherokee Nation, Tahlequah, OK; Foundation Communities, Austin, TX; Fundación Chana Goldstein y Samuel Levis, Veja Baja, PR; Harlem Children's Zone, Harlem, NY; Juma Ventures, San Francisco, CA; Mile High United Way, Denver, CO; Oakland Livingston Human Service Agency (OLHSA), Pontiac, MI; People for People, Inc., Philadelphia, PA; Sargent Shriver National Center on Poverty Law, Chicago, IL; Southern Good Faith Fund, Helena-West Helena, AR.

[2] AlabamaREAL; Georgia REAL; Michigan REAL; Mississippi REAL; New York REAL; North Carolina REAL; Thailand REAL; Vermont REAL; Virginia REAL; Washington REAL; West Virginia REAL.

In the interest of maximizing these natural synergies, the W.K. Kellogg Foundation has funded CFED to explore integrated approaches to delivering youth savings and entrepreneurship and make recommendations in this paper. With the Foundation's support, CFED brought REAL founder Dr. Paul DeLargy—who directs one of the oldest REAL programs, Georgia REAL—together with the SEED community partners at the October 2005 SEED Semi-Annual meeting. This meeting started the dialogue and created an opening for much more discussion about the potential connections to SEED and REAL. Capitalizing on this interest, CFED conducted a survey of the SEED partners about their interests in linking to youth entrepreneurship education. In addition, CFED was asked to deliver customized technical assistance in youth entrepreneurship to two SEED partners: Cherokee Nation in Oklahoma, whose target population is high school and foster youth, and People for People Charter School in North Central Philadelphia, whose target population is middle school students. The results of this technical assistance will not be addressed in this paper, but will be the basis of additional lessons about youth savings and entrepreneurship.

Finally, based in this initial research, this paper discusses a number of preliminary recommendations for schools and other community organizations interested in designing and/or expanding programs that more closely link youth savings and entrepreneurship.

## INTRODUCTION

Many strategies to address poverty have focused on supplementing a family's income. Income maintenance strategies are important, because they provide the necessary cash, food, health care, and supportive services to prevent many people from experiencing severe deprivation. These public assistance programs, however, have generally failed to encourage households to save and accumulate even small amounts of resources to use for future investments or present emergencies. Moreover, "assets tests" used in determining eligibility for public assistance often force families to deplete their assets before they can qualify for assistance and create a disincentive for families otherwise interested in trying to accumulate the assets needed to achieve greater economic independence and a better quality of life.

The accumulation of wealth and assets is a key factor in the economic stability of any individual or family household. Indeed, the idea that asset building promotes beneficial outcomes at the neighborhood, household, and individual level is gaining ground in policy and academic discussions. The United States has a strong track record of helping its citizens build assets. In the past, the Homestead Act and G.I. Bill enabled some groups of Americans to go to college or build homes, farms and businesses. Today, there are large and expanding asset-building tax incentives to help Americans finance homes and save for college or retirement. However, these incentives largely benefit middle- and upper-income adults. In fact, federal tax incentives disproportionately benefit those that already have assets: a recent CFED study documenting the $355 billion asset-building budget spent on federal incentives in 2003 showed that less than 5 percent of the benefits go to the bottom 60 percent of taxpayers.[3] In addition, one in four households does not own enough to support itself at the poverty line for three months should unemployment occur. It is worse for women and people of color: one in four female-headed households and one in three minority-headed households have zero or negative net worth.[4] Given the critical importance of asset building and these glaring wealth disparities, public policies should be changed to extend asset policy to all Americans, including low-income individuals and families.

Children and youth are particularly at risk of living in poverty in the United States and in need of asset-building opportunities. In 2004, three million children and youth lived in poverty: the rate of poverty among children and youth under 18 was almost 18%, significantly higher than the poverty rate for the population as a whole.[5] The poverty rate for Black and Latino children and youth was even higher, 34% and 29% respectively.[6] Poverty is associated with negative outcomes for children. It can impede children's cognitive development and their ability to learn. It can contribute to behavioral, social, and emotional problems. Poverty can also lead to poor health among children as well. Research also indicates that the risks posed by poverty are greatest among children who

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[3] Woo, Lillian, G., Schweke, F. William and Buchholz, David E., *Hidden in Plain Sight, A Look at the $355 Billion Federal Asset Building Budget,* CFED, 2004.

[4] *Assets and Opportunity Scorecard: Financial Security across the States*, CFED, 2005. (www.cfed.org/go/scorecard).

[5] http://www.osjspm.org/101_poverty.htm#2

[6] http://www.childrensdefense.org/publications/greenbook/Greenbook_2005_chpt6.pdf

experience poverty when they are young and among children who experience persistent and deep poverty.[7]

Two of the most important strategies for youth[8] asset development are savings and entrepreneurship. Youth savings programs encourage and promote positive savings behavior. Youth entrepreneurship programs help low-income youth learn to become entrepreneurs while at the same time supporting themselves and contributing financially to their family. Both strategies educate youth about financial matters and provide them with a progressive series of activities and experiences purposefully designed to help them become more successful adults.

## YOUTH SAVINGS

The concept of asset building for low-income people was first proposed in the 1980s by Michael Sherraden, a professor at the George Warren Brown School of Social Work, Washington University in St. Louis. Since Dr. Sherraden's groundbreaking book *Assets and the Poor: a New American Welfare Policy* (1992), which proposed a universal system of Individual Development Accounts (IDAs), numerous studies conducted by the Center for Social Development, established by Dr. Sherraden at Washington University, have concluded that low-income people can and will save given the proper incentives and that building assets can assist these individuals in alleviating poverty[9]. The first tool used to support asset accumulation for low-income individuals was Individual Development Accounts (IDAs). IDAs allow individuals and families to save income in accounts and have their savings matched by government and private sources. After a period of time during which the accountholders are trained in financial education and the savings grows, the funds in the IDA can be used for the purchase of and investment in specific assets: homes, businesses, and higher education and training. There are now 500 IDA and asset-building initiatives serving approximately 50,000 people in the United States.

Research also suggests that saving and building assets in the earliest years can promote educational attainment and create a sense of hope for the future.[10] More recently, experimental with youth or "children's savings accounts", as they are commonly known, have demonstrated the value of matched saving starting in the earliest years and are also seen as possible foundation for a universal and progressive system of savings that start at birth. Similar to IDAs, children's savings accounts are long-term savings and investment accounts that are seeded with $500 to $1,000, depending on need, with additional matches for contributions from family, friends, or the children themselves. Savings can be withdrawn for education expenses, to purchase a home, or to start a small business.

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[7] http://nccp.org/pub_cpt05b.html

[8] For this White Paper, youth are defined as young people between the ages of 11 and 18 years old, in middle or high school (generally 6th – 12th grade).

[9] These studies include *Final Report, Savings Performance in the American Dream Demonstration*, Center for Social Development, 2002; *Evaluation of the American Dream Demonstration, Final Evaluation Report*, ABT Associates 2004.

[10] Beverly, S., McDonald, T., Page-Adams, D., and Scanlon, E. (2001). *Assets, health, and Well-Being: Neighborhoods, Families, Children and Youth*.

The most important precedent for children's savings accounts is the new Child Trust Fund (CTF) in the United Kingdom, which provides the parents of each child born after 2002 a £250 voucher to open a savings and investment account in a financial institution on the child's behalf. Families below the poverty line receive an additional £250 per child. Each child receives an additional endowment at age 7 and families can contribute up to £1,200 annually to CTF. Most accounts are stakeholder accounts, which primarily invest in equities although some accounts are less risky, investing more in bonds. Children can withdraw money after age 18 to spend on any purpose or can roll the money over into a new account. The government also plans to add financial savings training to the National Curriculum. However, financial institutions that are critical partners in taking CTF to scale remain concerned that these accounts will be too small to be profitable within a reasonable timeframe.

Another important precedent exists in Canada. The new national Canada Learning Bond provides a $500 endowment at birth to any Registered Education Savings Plan (RESP) of eligible low-income children and offers annual $100 top-ups. The Bond was also introduced alongside a boost to the Canada Education Savings Grant (CESG) that now matches at 40 percent the first $500 saved by families who earn less than $35,000 and at 30 percent for families with incomes between $35,000 and $75,000. The new Bond and CESG also include a community-based outreach strategy to ensure that low-income parents know about the program and have the financial capacity to make use of it.[11]

## Youth Entrepreneurship

The number and impact of self-employment on the nation's economy is on the rise. The United States Internal Revenue Service estimated that in 2001 there were approximately 18 million self-employed persons in the United States.[12]

In order for entrepreneurship and self-employment to be an effective career option, entrepreneurship education is essential. Both recent chairmen of the Federal Reserve Bank have observed the importance of financial education as an important platform for improving financial literacy for youth and adults. Entrepreneurship education conveys important skills related to math, planning, budgeting, marketing, and saving. In addition, essential skills related to creativity, teamwork, perseverance, critical thinking, and initiative are also obtained during the course of entrepreneurship education. Entrepreneurship education encourages independent thinking that helps all students make valuable and concrete connections to the changing world. Entrepreneurship education moves beyond accounting and marketing to offer important lessons about the value of failure, ethical decisions, networking, and negotiating.

[11] Nares, Peter, *The Canada Learning Bond: Recognizing that Savings and Assets Matter to All Canadians*, Social and Enterprise Development Innovations (SEDI), 2004.

[12] These are individuals who filed Schedule C: Profit or Loss from Business (Sole Proprietorship). Fro more information, visit www.irs.gov.

Youth entrepreneurship education teaches business fundamentals through hands-on experiences and encourages youth by:

- Providing the skills necessary for youth to start their own businesses
- Enhancing youths' business skills for future career opportunities
- Encouraging youth to continue on to higher education

Entrepreneurship education has been proven to contribute to:

- Academic enrichment and project-based learning in critical thinking and math for elementary, middle school, and high school students
- Improved student attendance, grades, test scores and graduation rates for high school students
- Leadership development for youth and adults
- Enhanced financial literacy for adults
- Routes to economic independence for people with disabilities
- Pathways to citizenship for immigrants
- Self-sufficiency for single, female headed households
- Professional development for elementary, middle school, high school and post-secondary instructors
- Re-training for dislocated workers

## CHILDREN'S SAVING ACCOUNTS: THE SEED INITIATIVE

CFED, along with a host of national partners, funders, and community partners are conducting the SEED (Saving for Education, Entrepreneurship, and Downpayment) Initiative, a 10-year national policy, practice, and research endeavor to develop, test, inform, and promote matched savings accounts and financial education for children and youth. The initiative seeks to set the stage for universal, progressive American policy for asset building among children, youth and families. SEED partners are developing and testing more than 2,000 accounts in 13 sites across the country and in Puerto Rico. Each community partner in SEED has a goal of opening 75 accounts for children in a specific age cohort.

SEED accounts are long-term asset-building accounts established for every America child at birth and allowed to grow over their lifetime. Accounts are seeded with an initial deposit of $500 to $1,000 and built by contributions from family, friends, and youth themselves. Accounts are also augmented by savings matches and other incentives. SEED savings are restricted for financing higher education, starting a small business, buying a home, or funding retirement. Accounts gain meaning as young accountholders and their parents engage in age-appropriate financial education.

The SEED initiative is designed to provide information about:

- The psychological, social, behavioral and economic effects of SEED accounts
- The best way to engage working-poor families
- The most effective roles of the public, private and nonprofit sectors
- The public programs most likely to garner support and
- The systems able to deliver accounts efficiently to millions of children

SEED is an integrated, multifaceted effort consisting of the following components:

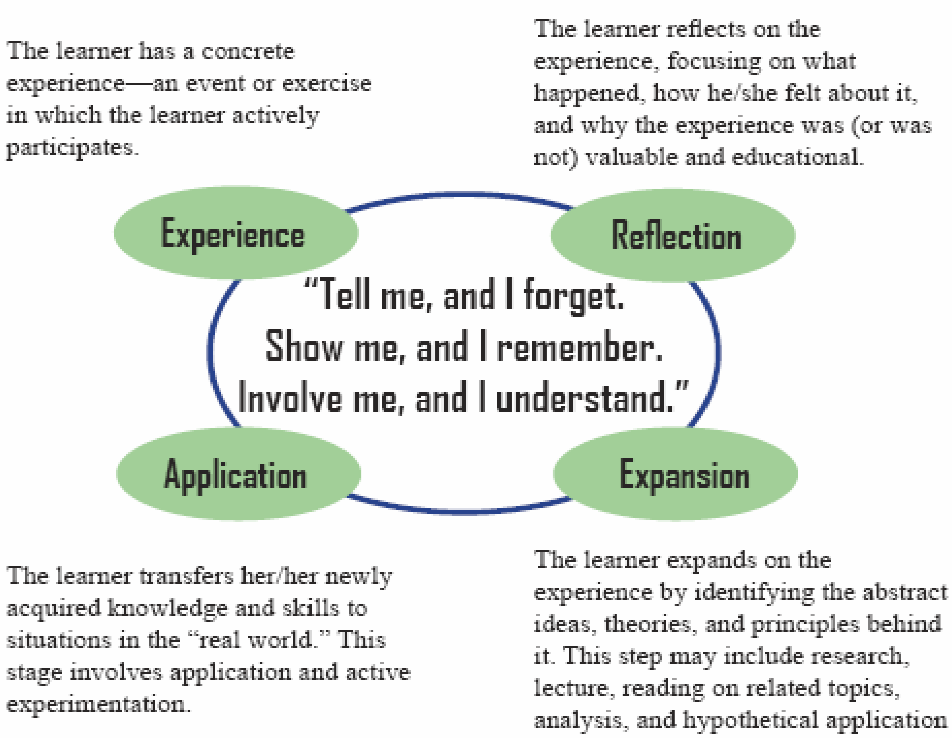
- Partnerships nationwide to test and document specific aspects of children's savings programs. Partners—from a Head Start program in Michigan to a community-based organization in central Harlem—are establishing more than 1,250 accounts and engaging different age cohorts, savings incentives, financial education approaches and financial institutions
- Rigorous research to assess outcomes through account monitoring, in-depth interviews, cross-sectional surveys, impact studies and other methods
- Federal and state policy development, research, and advocacy to establish progressive universal systems of accounts and protect children and families from asset and other benefit penalties. Partners are leading policy development and advocacy in states where breakthroughs are possible
- Product and market development efforts to design and implement efficient and profitable accounts

A universal model experiment that uses a state college savings (529) plan to test a centralized and efficient policy design that has the potential for large-scale implementation.

## YOUTH ENTREPRENEURSHIP EDUCATION: THE REAL ENTREPRENEURSHIP MODEL

REAL Entrepreneurship is CFED's entrepreneurship education program. It was started as an experiment in 1979 to see if high schools could be economic development engines in rural communities. That was the beginning of REAL approach to using school-based enterprises to teach youth entrepreneurship while meeting community needs at the same time. Enterprises included restaurants, a feeder pig business, screen printing operations, a day care center, a show store and a fabric store. Since then, REAL has expanded to K-8 schools, community colleges and universities, afterschool programs, youth programs, and summer camps and the range of venues continues to grow each year.

REAL Entrepreneurship is a curriculum based on experiential learning. Students are engaged in age-appropriate activities to learn the basics of business planning, from marketing to financials to creative problem solving. REAL Entrepreneurship trains students to examine their communities to find unmet needs, and then develop enterprises to meet those needs. REAL Entrepreneurship is aligned with challenging academic content standards and developed in consultation with content specialists, teachers, school boards, and college administrators. REAL Entrepreneurship is designed to complement other programmatic efforts related to self-sufficiency and asset building. The REAL Entrepreneurship learning system opens opportunities for anyone who has dreamed of starting or owning his own business. The REAL Entrepreneurship experience combines classroom assignments with concrete, hands-on experiences in planning and running a business. Specifically, REAL Entrepreneurship employs the Experiential Learning Cycle:



Experiential teaching methods work because they promote ownership, self-direction, and responsible decision-making - qualities needed for success.

### SCHOOL-BASED ENTERPRISE FOR YOUTH

The most promising *REAL Entrepreneurship* product for linking SEED and REAL is the *School-Based Enterprise for Youth* Workshop. This workshop is an experiential training for teachers planning to start, or already working with, school-based enterprises (SBEs) for youth. Teachers focus on how to set up and operate school-based enterprises that are economically sustainable, while providing productive and entrepreneurial learning experiences for students. Teachers receive a copy of *Who's Minding the Store? A Guide for Educators Working with School-Based Enterprises*, a *REAL Entrepreneurship* publication.

Topics include:

- Business planning (and re-planning): the key to a successful enterprise
- Using the experiential learning cycle to make your SBE a powerful learning tool
- How SBEs can help teachers and students meet your state's content standards

Through the *School-Based Enterprise for Youth* Workshop, elementary and secondary schools have helped students understand the process of starting businesses and encouraged them to be entrepreneurs in their communities.

## WHY LINK YOUTH SAVINGS AND ENTREPRENEURSHIP?

Youth savings and entrepreneurship are strategies that share common goals and methodologies. They both support the accumulation of human and financial assets by the next generation and incorporate financial education and activities to help children and youth make sound financial decisions. Specifically, youth savings can be used to start small businesses and small business profits can be saved in a youth savings account. Moreover, both youth saving and youth entrepreneurship change behavior, outlooks, and expectations. For example, learning about entrepreneurship gives young people a greater sense of self-determination and possibilities, even though not all will become entrepreneurs. Learning about saving inculcates patterns of behavior and sense of possibilities that otherwise may be underdeveloped. While these strategies do not necessarily eradicate poverty, they do give some young people the ability to invest in their futures.

In addition to providing youth with leveraged savings and business development skills, integrated youth savings and entrepreneurship programs have the potential to provide coordinated financial literacy education with a focus on developing personal finance, economic literacy, and business-specific savings habits and outcomes. And, our research shows that youth savings programs alone are not sufficient to engage most youth. Programs must include or be linked to other things that interest youth, such as jobs, internships and entrepreneurship.[13] We have also learned that savings should come from money that has been earned and that programs should center on youth making decisions about their own money.[14] This is because matching funds alone do not seem to be incentive enough for many youth to participate. Youth entrepreneurship is a fun, hands-on and effective way to earn income for savings.

Currently, youth savings and entrepreneurship programs are loosely joined, as some children's savings accounts are connected to school- and community-based enterprises and some youth entrepreneurship education programs offer savings opportunities. However, despite potential synergies between youth savings and entrepreneurship programs, relatively little has been done by either practitioners or researchers to explicitly link these strategies.

### DEFINING LINKAGES AND POTENTIAL BENEFITS: RESULTS OF THE SEED SURVEY

At the last semi-annual meeting of the SEED partners, CFED introduced the idea of linking entrepreneurship to the SEED programs as one tool to increase savings into SEED accounts. In follow-up, CFED conducted a survey of the SEED partners to gather data about their interest in entrepreneurship, barriers they had encountered, and how some type of entrepreneurial activity or program could be helpful in raising the level of saving in SEED account.

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[13] Individual Development Accounts for Youth Lessons from an Emerging Field, CFED, 2001 Washington, DC.
[14] Id.

Eleven SEED community partners responded to the survey either in person at the semi-annual meeting or by conference call. Only one partner, Harlem Children's Zone did not complete the survey, as staff members who attended the meeting are new to the program.

The majority of the partners (nine out of 11) are interested in pursuing an entrepreneurship strategy for their SEED partners. OLHSA, the preschool demonstration partner is not interested due to the ages of their accountholders (in head start or Kindergarten) and their ability to work with a large number of kids (500 enrolled at their site). Beyond Housing is the other partner that was not interested in this work, as the kids in their program have already worked on an entrepreneurship activity over a two-year period, which included a simulation of the nuts and bolts of starting various businesses illustrated in pictures.

Only two partners are working on an entrepreneurship activity or program with their SEED participants. People for People worked with their middle school students last year on a fundraiser selling bottled water, ice cream, pretzels and other snacks over a two-day period to raise money to make deposits into every child's SEED account over the summer. The youth created a budget and had most of the snacks donated. Lessons on how to start the business were incorporated in a classroom setting. The youth earned a profit, where they were able to make a deposit of $29.00 in their accounts to meet their targeted savings goal over the summer. Both the SEED Coordinator and Entrepreneurship Instructor will continue the fundraisers this year before the school year ends, where the youth will sell snacks over a six-day period in the classroom, to parents and members of the community with the goal to triple their profit margin.

Juma Ventures has developed a business leadership model where the organization employs SEED participants of high-school age to work at SBC Giants stadium to earn wages to make deposits into their SEED account. The youth work as ice cream scoops and sell coffee during baseball season. Their leadership model involves peer training, supervisory and management positions for advanced youth. As of 12/31/05, the youth have saved more than $40,000 from wages and family contributions into their SEED account and have drawn down over $10,000 in marching funds to purchase computers, to pay for college tuition, and purchase books for school.

In addition to People for People and Juma Ventures, Mile High United Way in Denver, CO has expressed an interest in working with two local organizations—Micro Business Development Center and YouthBiz to work with their foster care youth to start either an after school or community-based enterprise. They are interested in guidance from CFED to learn about best practices to engage both groups to develop an entrepreneurship strategy.

Barriers to incorporating an entrepreneurship program with the SEED partners include the age of the participants to start this work, the capacity of the organizations to start an entrepreneurship program, the time necessary to train kids to develop the skills necessary to operate a business, and parent involvement (in the case of younger participants) wand their willingness to work together as a team. One SEED partner, Juma Ventures sees valuable in the youth engaging a participatory activity, but is unsure of whether the youth comprehend business concepts to start their own business. In their opinion, a "true" entrepreneurship program where the youth are working independently may be too theoretical. Instead, a more participatory model fits well within their current organizational structure given staff capacity to assist the youth.

Despite the perceived barriers to incorporate an entrepreneurial program with their SEED program, the majority of the partners (73 %) agreed that this work could help increase savings among accountholders. The SEED initiative "anticipates positive SEED effects when people can regularly see that they are building assets for the future." Entrepreneurship may prove to be an important vehicle to assist families to meet their targeted savings goal by making deposits from their earnings to build future assets.

Again, the majority of the partners see value in the youth keeping a percentage of their earnings from their enterprise as well as having the ability to making deposits into their SEED account on their own behalf. One partner (Juma) commented that an entrepreneurial venture will "increase savings by increasing programmatic activity, engagement, and relationship building." Another partner that was not interested in incorporating an entrepreneurship program due to the ages of the kids commented that they could achieve this goal on a smaller scale, such as a raffle or a small fundraiser where the parents can raise money to make deposits.

Finally, the majority of the partners are interested in attending a training to learn the tools necessary to start an entrepreneurial activity and engaging in peer-to-peer learning opportunity with other organizations experienced in youth entrepreneurship. Peer-to-peer learning is viewed as a "productive practice" as well as a way to work with national organizations that can share best practices to work with low-income youth.

Additionally, the SEED survey and previous research has identified potential benefits of linking youth savings and entrepreneurship including:

- Engaging children and youth in fun, hands-on and relevant savings and business skills building activities
- Creating capital for savings investments from business profits
- Creating capital for business from savings

## Examples of Linked Youth Savings and Entrepreneurship Programs

There are several good examples of programs that successfully integrate youth savings and entrepreneurship.

Food from the 'Hood (FFH) at Crenshaw High School in Los Angeles is an example of a REAL Entrepreneurship-trained School-Based Enterprise (SBE) that blends good business and savings with good citizenship. Created as a positive response to the riots in South Central Los Angeles in 1992, FFH began as a garden at the high school where students grew organic produce for sale to local residents.

This enterprise met an important community need, since most grocery stores had been destroyed in the riots. FFH has evolved as a SBE over time. Today the students continue to maintain the garden and in addition create recipes for salad dressings which are produced by a local salad dressing bottler. Students learn horticulture and nutrition along with how to operate a successful business and put the profits into savings accounts for college tuition scholarships for the student-owners.

At Kennesaw Mountain High School in Georgia, a class of special education students created and now run a coffee shop called the Mountain Top Café. Their dedicated teachers were trained in the REAL Entrepreneurship high school curriculum at a Georgia REAL Institute and adapted the curriculum for use in a special needs classroom. The school and local businesses responded with the supplies to make the students' business a reality. Teachers and students buy freshly made coffee and hot drinks, and teachers can even order drinks online to be delivered to their classroom door. This innovative School-Based Enterprise gives disabled students the chance to develop genuine business skills and interact with the larger school community, while at the same time using their income to invest in the business and in their own savings accounts.

In Philadelphia, People for People, Inc. promotes community revitalization through renewed entrepreneurial energy and educational enrichment opportunities for parents and their children. The People for People Charter School and the People for People Community Development Credit Union partner to deliver SEED accounts to fifth and sixth grade students. This SEED program recently completed its second successful school-based enterprise which helped the youth raise significant funds for their SEED accounts. Building on these initial successes, People for People will obtain training in REAL Entrepreneurship to gain additional skills in teaching entrepreneurship. Thus, two trainers from People for People will attend, along with CFED staff, the REAL Institute that will be offered by CFED and North Carolina REAL in June, 2006. At the same time, North Carolina REAL is very interested in serving fifth and sixth grade trainers and learning how to improve the REAL Institute to meet the needs of trainers working with this age group. There is potential for great synergy through bringing People for People together with North Carolina REAL.

## PRELIMINARY RECOMMENDATIONS

The following preliminary recommendations for linking youth savings and entrepreneurship programs were developed through our initial research:

### PURPOSE

Programs should be clear that their purpose is to help youth become self-sufficient and contributing members of society through the teaching and support of savings and entrepreneurship.
This will result in more youth staying in school or continuing education, considering self-employment as a viable career option, saving and in some cases, using their savings to start a business.

### STAFFING

Program staff must have technical knowledge and skills particular to the services offered by the youth program. In linked youth savings and entrepreneurship programs, this means an understanding of asset-building theory and training in designing, implementing and managing savings and entrepreneurship programs. Programs will benefit from a strong program leader with a background in money management or personal finance counseling and training as well as youth development. It often helps to have someone who has experienced business development firsthand as an entrepreneur and who used her/his own savings to start a business. Program staff should also have the knowledge and skills to take care of administrative duties, outreach, enrollment, and to provide other supportive services.

### LEGAL ISSUES

Before a program begins, all legal issues should be identified. In general, persons under age 18 are legally unable to enter into contracts. Thus, because any agreements they enter into are not binding, they are also not enforceable by a court of law. For this reason, banks restrict the types of accounts those under 18 may open in their own name or require the parents to be signatories on the account.[15]

For any new business there are regulatory requirements (local and state business licenses, occupational licenses, sales tax, and building and health codes for example) for which compliance will be required. Programs can consult with local public business development service providers and regulatory agencies for the latest information.

Programs must also be aware of child labor laws which restrict the amount of time youth can work. They also regulate in which occupations youth can work and their minimum wage. The federal

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[15] For additional information about the legal issues related to youth savings account, please refer to *Individual Development Accounts for Youth Lessons from an Emerging Field*, CFED, 2001 Washington, DC.

government and all of the states have such laws and where there is a conflict, the more stringent applies. Many states severely restrict employment for youth below 16 years of age, and most prohibit employment for those below 14, except in a few selected occupations. In all states, youth enterprises who hire other youth must strictly follow the child labor laws of their state, but there is some uncertainty about whether the youth entrepreneurs themselves, where there is no employer-employee relationship, must abide by child labor age, occupation, hour and wage restrictions. Youth entrepreneurs should contact the appropriate state department or agency for current and accurate child labor laws and guidance.

### Location

A variety of programs serving youth are good candidates for linked savings and entrepreneurship programs, such as community-based organizations, faith-based organizations, schools (public, private, and charter), organizations participating in the foster care system, organizations participating in the juvenile justice system, and national youth development organizations.

Community-based and faith-based organizations both offer locally based locations that are grounded in the needs of the community, family engagement, and the presence of caring adults who are not relatives. These locations can only reach a limited number of youth given their capacity, unless they are part of a national network.

If greater scale is a goal, schools have the potential to reach a higher number of youth, particularly public schools. However, in public schools the federal No Child Left Behind law mandates a focus on standardized testing which has decreased programming opportunities beyond courses that are not core-subjects. This has made it important for programs located in public schools to explicitly link their financial education and entrepreneurship training objectives to the competencies and standards required by their state department of education. Private and charter schools offer an opportunity to reach youth, but perhaps not as many as in public schools. However, they are not bound by No Child Left Behind and have more programmatic flexibility.

The foster care system provides access to a group of youth in financial need. Aging out of the system at 18 and with no families to rely on, most foster youth need a way to build assets for their future. Similarly, the juvenile justice system offers ways to engage youth who are participating in rehabilitation programs.

Finally, national youth development organizations are good locations for linked youth savings and entrepreneurship programs because they serve youth from all income levels and reach youth in hard-to-serve areas.

## Outreach and Recruitment

An important factor of success is effective outreach and recruitment strategies that draw participants to the program. Key factors in outreach and recruitment include having:

- A variety of outreach and recruitment tactics
- Positive messages, repeated multiple times
- Word-of-mouth referrals from neighbors and friends
- Trust established between the organization offer the youth savings and entrepreneurship program and the target population
- Proper timing of the enrollment process, e.g. for out-of-school programs, youth may have more time to enroll during the summer when they are not in school, and easy enrollment procedures
- Accounts held at trusted, local, well-known financial institutions, and at more than one financial institution

## Involving the Youth

Programs are most successful when they engage youth in program design and delivery. This is supported by recent youth development findings indicating that youth need to be engaged in and take responsibility for the programs that serve them. Examples of youth involvement include inviting youth to be part of the Board of Directors, seeking their active involvement in the development and modification of programs and services, training youth to deliver training, and engaging youth as recruiters and mentors for new participants.

## Involving Key Stakeholders

Key stakeholders contribute to the success of linked youth savings and entrepreneurship programs, specifically families, financial institutions, entrepreneurs and funders.

Families can be involved in a range of ways, depending on the desired level of family involvement. For some programs, basic information about the program through brochure and periodic updates suffices. In others, families may be engaged in financial literacy and business development training. The role of families in the programs will vary based on the goals of the program.

Financial institutions are important program partners because they provide access to the necessary savings account financial products, service the accounts, and may provide curriculum and instructors to teach youth financial literacy. Programs will need to make the business case to obtain financial institution partnerships. Specifically, youth savings and entrepreneurship programs help financial institutions meet Community Reinvestment Act requirements, create a local customer base, provide cross-selling opportunities, reach new customers and market segments, and open opportunities to cross-sell other products (such as business loans, students loans and mortgages).

Entrepreneurs can be helpful to programs by providing exposure of youth to the realities of business and the workplace. They can make presentations about their business, serve as course instructors, act as mentors, provide placements in their businesses, judge business plans and presentations, serve on boards of organizations, and provide financial contributions.

Funders are essential for programs to serve youth through savings and entrepreneurship activities and can also be important conduits to other programs serving youth or to other sources of funding.

### Financial Literacy Education

One primary cause of personal bankruptcy in the United States is lack of personal financial literacy. Many people do not have the basic knowledge and skills to manage their money or plan for their futures. Never has the personal bankruptcy rate been so high and the savings rate been so low. Linked youth savings and entrepreneurship programs must incorporate financial literacy education in their activities. The purpose of financial literacy education is to provide participants with the opportunity to develop skills and acquire knowledge to help them achieve their business development and other asset-building goals, make informed decisions about using and managing money, develop the critical skills necessary to identify and evaluate alternatives, and plan for their future financial well-being.

There are four key elements to consider when developing financial literacy education as part of a linked youth savings and entrepreneurship program:

- Personal Finance: youth should learn how to develop the skills to effectively use and manage money
- Economic Literacy: youth should learn the knowledge and skills to discuss, react to, and act upon economic influences in one's life
- Media Literacy: youth should learn critical skills to access, analyze, and apply information from the media with the goal of making decisions independent of media influences
- Asset-Specific Training: youth should learn how to develop the skills to start their own business, using funds from their savings account

### Asset-Specific Training Connected to Entrepreneurship Education

Programs need to provide asset-specific training that aligns with entrepreneurship education. Both should provide interactive, experiential learning like the hands-on *REAL Entrepreneurship* curriculum so that youth are engaged in saving while at the same time seeing the connections to and the possibilities for business creation.

### Evaluation

The overall purpose of linked youth savings and entrepreneurship programs is to help youth become self-sufficient and contributing members of society through the teaching and support of savings and entrepreneurship. Therefore, the key question to be addressed by evaluation is "are the youth better off financially because of their involvement in the program?" To answer this question, an evaluation should consider the variety of ways youth may improve their finances. This may be done cognitively, attitudinally, behaviorally, and through improved skills[16]:

### Cognitive

Youth will have a working knowledge of money management, the economy, and business finances; they will develop financial literacy
Youth will see that it is possible to move out of poverty when given the right supports, tools, and training opportunities

### Attitudinal

- Youth will begin to develop healthy attitudes about money
- Youth will become more future oriented
- Youth will experience an increased sense of self-efficacy
- Youth will invest themselves in business development

### Behavioral

- Youth will save money
- Youth will establish lifelong savings habits
- Youth will be less likely to abuse or misuse credit
- Youth will invest in business development
- Youth may be less likely to engage in risky behaviors because of their future orientation
- Youth will become more engaged in their households, neighborhoods, and communities

### Skills

- Youth will earn higher wages
- Youth will be less likely to misuse credit

Finally, there are several recommendations for evaluating linked youth savings and entrepreneurship programs[17]:

- Integrate evaluation with the design of the program
- Structure data and information collection points throughout the program and specifically at enrollment and upon completion of the program
- Use different methods for evaluating information
- Collect both quantitative and qualitative data

[16] *Individual Development Accounts for Youth Lessons from an Emerging Field*, CFED, 2001 Washington, DC.
[17] *Individual Development Accounts for Youth Lessons from an Emerging Field*, CFED, 2001 Washington, DC., CFED, 2001 Washington, DC.

- Use MIS IDA[18] to track program characteristics and participant savings behavior. Using this system will add to the knowledge base of the asset-building field.
- Use pre- and post-tests or assessments of the financial literacy education and entrepreneurship education portions of the program
- Ensure evaluation includes an assessment of whether the organization is effective and efficient
- Ensure evaluation is developmentally appropriate and controls for variances caused by adolescent growth.

[18] Management Information System for Individual Development Accounts. For more information, contact the Center for Social Development, George Warren Brown School of Social Work at Washington University, gwgweb.wustl.edu/csd.

## CONCLUSION

It has become clear that children and youth benefit from a variety of asset-building tools and approaches like savings accounts and entrepreneurship education, financial education and credit counseling – and that in some cases these tools and approaches can be maximized through integration.

Based on preliminary research and product testing among our SEED and REAL partners, we are in the process of developing an integrated approach to children's and youth asset-building that builds on the foundations of SEED and REAL. Programs interested in implementing an integrated approach to delivering children's savings accounts and youth entrepreneurship education should use the resources listed below to obtain more information.

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## Contacts for More Information

CFED's SEED (Saving for Education, Entrepreneurship, and Downpayment) Program, www.cfed.org or Rochelle Watson, rwatson@cfed.org

CFED's *REAL Entrepreneurship* program, www.realenterprises.org or Kim Pate, *REAL Entrepreneurship* Director, kpate@cfed.org

Food from the 'Hood, www.foodfromthehood.com

Mountain Top Café, www.mountaintopcafe.com